

ICTMS-2013

## Critical analysis of management information system of selected Indian microfinance institutions

Abhishek Behl \*, Manju Singh

*Symbiosis Institute of Research and Innovation (SIRI), Symbiosis International University (SIU), Lavale, Pune, India*

---

### Abstract

Management Information System (MIS) lays a strong foundation on which any institution dealing with finance as a department relies on. Expansion of business, serving their existing client base, adding new customers to their family and to generate an aura of competition amongst the market are some of the key reasons firms across globe are using MIS systems. Microfinance sector needs MIS for gearing up economic stability, increasing performances and manage flow of funds because a high outflow of funds might fluctuate the economics of loan disbursement. This research paper focuses on the current structure of MIS systems in Micro finance sector and research on the existing scenario of competition with respect to various vendors offering similar services. The findings of the research indicate that currently there is diversity in the services and packages offered by vendors and there is a need to build up common software for all the microfinance institutions to bring in uniformity.

© 2014 The Authors. Published by Elsevier Ltd. Open access under [CC BY-NC-ND license](#).  
Selection and peer-review under responsibility of the Organizing Committee of ICTMS-2013.

*Keywords:* Microfinance Institutions; Management Information System; Technology

---

### 1. Introduction

Microfinance services as defined by Microfinance Services Regulation Bill “providing financial assistance to an individual or an eligible client, either directly or through a group mechanism” The importance of this sector can be judged by the fact that this basket has people winning Nobel Prize. With the tremendous amount of efforts laid by Prof. Yunus in Bangladesh, South Asia became a hub for research and advancements in microfinance. Studies have

---

\* Corresponding author. Tel.: +91-7798250363; fax: +0-000-000-0000 .  
E-mail address: [abhishekbehl27@gmail.com](mailto:abhishekbehl27@gmail.com)

depicted that there are more than 12,000 microfinance institutions having close to 700 million active borrowers. There are still over 5 billion in the unbanked sector which thereby forms a huge chunk of people.

When compared to banks it is seen that because of high transaction of money by a large number of people the overall operations costs come down. (Ashta, 2009) Bankers were unable to offer loans with low amount and a relatively high operations cost to the people. The issues further piled up when the problem of fulfilling Know your customer (KYC) norms were not fulfilled. The customers under this head were mostly new to this system of saving money or getting a loan from a certified institution. Absence of proper information, credit history and lack of collateral became the dependent variables for increased risk. Lending at higher rates was the only option to solve this problem for which group lending was a probable solution. This idea of group lending led to weekly repayments of amounts to have a uniform track of payments (Yunus, 2003). Various models were formed with the idea revolving around group lending by various firms like BRAC, Accion, and FINCA etc.

Once the models were made many third party products were also introduced to the poor out of which insurance is one of the most successful of all. Many MFI are converting themselves into banks or finding loopholes to be able to accept deposits either from public or through clients/borrowers (Ashta, 2010). Out of the existing MFIs, less than 200 are profitable (Ashta, 2010). The transaction size of the loan is small which thereby decreases the profit margin of these MFI's (Rosenberg et al., 2009). Technology will have to play a major role in solving this problem. Although innovation has kick started the thoughts of existing players to enter microfinance yet this research focuses on how a sector of technology can play a vital role in changing the face of microfinance in any country.

## 2. Review of Literature

Management Information System (MIS) is one of the key to any organization. Once any organization has laid its principles, values and has defined how are they looking forward to gain profit, MIS systems becomes an integral part of the decision making process. For any strategic decisions to be made by the firm, MIS are always referred (Edstrom, 1973). MIS therefore is a tool which can shape any raw values into meaningful and readily used data. Earlier studies show that a better and efficient implementation of MIS leads to low risk levels and better decisions. (Baura et al., 1991). Information Technology as a sector whether outsourced or developed in house is a necessity for modern era and is required for the success of any institution (Clemons & Row, 1991).

Recent studies in Microfinance sector indicate that in order to implement a better, efficient MIS in microfinance arena, we need to understand the basic requirements of the sector. In addition to the basic requirements previous researches (Iyenger et al., 2010) has also shown that IT support and Standardization are equally important if microfinance models have to compete with the existing models of bank. Due to lack of proper legal documents and laws in place, financial institutions are not categorized. This has also led to downscaling of banks. Banks have even opened subsidiaries to take care of microfinance and generate profits keeping them under the tag of Non Profit organizations (Iyenger et al., 2010). As microfinance deals with below poverty line people, capturing data through business correspondents (BC's) and Business Facilitators (BF's) are difficult. Census database depicts that India with a literacy rate of approx. 74% has its 80% illiterate population in the villages falls below poverty line bracket. Thus, centralization in MF is not linked to become conservative (Tavakolian, 1989) but due to a major part of illiterate decentralized users. Secondly, the problem of infrastructure in rural areas is also a major area of concern. Any MFI which sets up a centre in these areas face problems of infrastructure support from the neighboring area and this in turn kills the motivation of doing business and surviving there (Iyenger et al., 2010). Thirdly a dedicated IT support and a proper structure for disbursement of loans and recovery thereafter are also important. Recovery seems to a major issue for any MFI.

## 3. Objectives

The above issues reflect that there is a scope of various questions related to MFI and implementation of MIS in MFIs. This research paper aims at:-

- To understand the state of Management Information System used by MFI
- To study the diversified software support and its linkage to specificities of Microfinance market.
- To study the relationship between the drivers of MIS used by MFI

Download English Version:

<https://daneshyari.com/en/article/1116201>

Download Persian Version:

<https://daneshyari.com/article/1116201>

[Daneshyari.com](https://daneshyari.com)